

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 20, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 8, 2016

TO: Public Utility Commission

FROM: John Crider *JC*

THROUGH: *J* Jason Eisdorfer

SUBJECT: PORTLAND GENERAL ELECTRIC:  
(Docket No. ADV 264/Advice No. 16-05) Adds Language to  
Schedule 125 and Schedule 126 to include Projected and Actual State  
and Federal Production Tax Credits, respectively, Consistent with the  
Provisions of Oregon Senate Bill 1547 Section 18.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve the Company's changes to Schedules 125 and 126 allowing for inclusion of wind generation production tax credits consistent with the provisions of Oregon Senate Bill 1547 Section 18.

**DISCUSSION:**

Issue

Whether the Commission should accept proposed changes to PGE's Schedules 125 and 126 to include wind generation production tax credits.

Applicable Law and Rules

Senate Bill (SB)1547 Section 18b provides:

Each public utility that makes sales of electricity shall forecast on an annual basis the projected state and federal production tax credits received by the public utility due to variable renewable electricity production, and the Public Utility Commission shall allow those forecasts

to be included in rates through any variable power cost forecasting process established by the commission.

The final order in docket UE 180, Order 07-015, adopted an automatic adjustment clause ("Annual Update Tariff" (AUT)) for PGE to recover variable power costs and established the categories of cost to be recovered through this tariff.

### Analysis

Section 18b of Oregon Senate Bill (SB) 1547 directs the Commission to allow the inclusion of projected state and federal production tax credits from wind energy into rates. The statute allows the Commission the discretion of utilizing any variable power cost process established by the Commission to implement the directive.

The Commission established the existing variable power cost recovery process for PGE as an automatic adjustment clause in 2007 through Order 07-015 in docket UM 180. The establishing order prescribes and limits the types of costs permitted to be recovered through this process.

The power cost recovery process consists of two parts – a forward-looking projection of test year variable costs that are included in rates prior to actually incurring these costs, and a true-up review of annual costs in which rates may be adjusted to reflect actual costs as incurred. The variable power cost recovery process is enabled by PGE Schedule 125 (projected costs) and Schedule 126 (actual costs).

Staff recommends that the current variable power cost recovery process be utilized to enact the legislative directive to include projected production tax credits in a variable power cost process. However, in order to allow the production tax credits to be accounted for in the current process, explicit language changes to the two Schedules (125 & 126), as proposed by the Company, must first be approved by the Commission.

### Conclusion

Staff believes the most efficient way to implement the statutory directive to include production tax credits into variable cost recovery is to adopt the language changes to Schedules 125 and 126 as proposed by the Company in this advice filing.

**PROPOSED COMMISSION MOTION:**

Approve the Company's changes to Schedules 125 and 126 allowing for inclusion of wind generation production tax credits consistent with the provisions of Oregon Senate Bill 1547 Section 18.